

SMALL BUSINESS RESEARCH BULLETIN

Small Business and Micro Business Lending in the United States, 2002 Edition

Each year, the Office of Advocacy prepares reports on commercial banks' small business lending using the most recent data available from the banks. This year's lending report combines two previously separate reports—*Small Business Lending in the United States* and *Micro-Business-Friendly Banks in the United States*. It is drawn from two sources: the June 2002 call reports submitted by banks to their regulating agencies and the Community Reinvestment Act (CRA) reports for 2001. The report provides state rankings of banks and bank holding companies (BHCs) that give small business loans (under \$1 million) and micro business loans (under \$100,000). It also contains national rankings of bank holding companies that make either kind of loan.

Highlights

- Small business lending by banks showed slight increases, as the U.S. economy continued a weak recovery from a mild recession since the fourth quarter of 2001. Borrowers and lenders tended to postpone new loan activity in response to an uncertain economy. Small business loans outstanding totaled \$484 billion in June 2002, an increase of \$23.6 billion or 5.1 percent between June 2001 and June 2002, compared with an increase of 5.4 percent over the previous period (June 2000 to June 2001).

- For the first time in years, total business loans declined over the period. Business loans outstanding declined slightly from \$1.32 trillion to \$1.31 trillion, a 1.3 percent drop. The decline came entirely from the largest loans (over \$1 million), which decreased 4.8 percent from \$864 billion to \$823 billion, compared with an increase of more than 10 percent over the 1997-2000 period.

- Contributing to the decline were slowdowns in lending for activities related to securities trading and mergers/acquisitions, as well as portfolio readjustments made by large corporate borrowers to take advantage of lower interest rates.

- The smallest dollar increases in small business loans of various sizes were in the smallest loans (those under \$100,000), which grew 1.7 percent. The total value of loans in the \$100,000 to \$250,000 category increased 4.9 percent; and the value of loans in the \$250,000 to \$1 million category grew 7 percent. In all three size categories, however, the number of loans increased more than the dollar amount.

- One major development in the small business loan market is the continued expansion in the number of small business credit cards. The number of the smallest loans (less than \$100,000) increased by 45 percent, while the number of loans of \$100,000 to \$250,000 increased 8.8 percent, and those of \$250,000 to \$1 million increased by 9.8 percent. The very large increase in the smallest loans seems to have resulted primarily from the promotion and use of small business credit cards.

- Many small community banks remained active in small business lending in their communities as indicated by the top state ranking these banks received (based on call report data).

- Large interstate banks and BHCs continued to enter local small business lending markets across the nation through expanded promotion of their small business credit cards, small business credit lines, or both. Large banks' share of this market has increased relative to the increase in their share of total assets. The top ranking banks and BHCs in the small business lending markets include BB&T Corporation,

Regions Financial Corporation, Synovus Financial Corporation; Citigroup, Inc., MBNA Corporation, and Wells Fargo. (MBNA, a credit card bank, was included in the rankings because of the increasing importance of small business credit card activities.)

For More Small Business Information

For the complete report, *Financing Patterns of Small Firms: Findings from the 1998 Survey of Small Business Finance*, visit the Office of Advocacy website at www.sba.gov/advo/stats/#finance. The statistical database is available there as well.

Sign up on Advocacy's Listservs at <http://web.sba.gov/list> to receive email notices of new Office of Advocacy publications accessible from our website. These include *The Small Business Advocate* newsletter as well as Advocacy press releases, research, and regulatory communications.